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Opto Investments CEO Ryan VanGorder

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Opto Investments Introduces Custom Funds Capabilities

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Rob Burgess | Sep 08, 2023

Opto Investments, a platform aimed at providing wealth managers access to private market investments, has introduced new custom fund capabilities.

With the addition, RIAs are able to create white-label fund strategies including private credit, equity, real estate, venture capital and infrastructure investments for high-net-worth and ultra-high-net-worth clients, according to the company.

For its part, Opto is completing due diligence, offering an opinion on the underlying investments, using its capital and balance sheet to back those investments and allowing advisors to provide single private market exposures to their clients, according to Opto CEO Ryan VanGorder.

Opto Investments was co-founded by serial entrepreneur Joe Lonsdale (also founder of Addepar and co-founder of Palantir) and came out of stealth mode in September 2022 when it also announced \$145 million in Series A funding. Around 170 RIA firms are currently using the Opto Investments software.

Privileged access to deals is central to the value of Opto's platform, according to William Trout, director of wealth management for Javelin Strategy and Research. Opto leverages Lonsdale's connections with investment managers to access deals and takes a stake in the investments it sources. This allows Opto to offer investors unique access to exclusive funds and customize the holdings to the needs of the investor. That level of access and customization is usually only reserved for institutional and UHNW investors, Trout said.

"Opto is breaking the mold by delivering both these elements to RIAs and investors," he added.

There is also "snob appeal" at work besides the unique performance characteristics and personalization built into these funds, said Trout. However, he questioned the extent to which this model is scalable.

"Exclusivity and customization by definition are finite goods," said Trout. "There's also the question of how much exposure Opto wants to take upon itself in its role as an investor."

However, VanGorder said Opto prides itself on being a software and technology company with a substantial amount of scale.

"What we're doing is adding the efficiency for advisors to do this at the level of scale that they want to choose," he said. "We're banking on the technology that we've created."

Wally Okby, strategic advisor for wealth management for Datos Insights (formerly the Aite-Novarica Group), said there are "immediate lucrative opportunities" for Opto "to plant their flag in the wide-open RIA space." For the most part, large-scale broker/dealers have established their alternative investment marketplace partnerships. Therefore, Okby said the more compelling opportunity for Opto is to focus on RIAs as a "massive, largely untapped and fragmented market."

ShoreHaven Wealth Partners, a Red Bank, N.J. firm founded in July 2020 with around \$400 million in assets under management, three advisors and around 220 client households, began working with Opto near the middle of 2022. ShoreHaven has created a custom fund with Opto, which will be the first direct private investments that they offer to clients, according to Mike Durso, ShoreHaven's co-founder and chief investment officer. Historically,

when building models ShoreHaven would use several liquid alternative investments, Durso said.

“I thought it was really important to get direct private exposure for our clients,” said Durso. “With that direct private exposure, there comes a lot of challenges.”

Access can be a problem, Durso said, especially with a firm of their size. High minimums and capital calls can be operationally challenging.

“Opto solves for a lot of that,” he said.

One of the advantages of Opto is that it’s not necessarily a product push where they’re bringing managers to ShoreHaven to push allocations, Durso said. “These are managers that they believe in so much that they’re also investing in them and getting us preferred pricing for our clients,” he said.